



# **Selling Government-to-Government**

## **An Introduction to the U.S. Foreign Military Sales Program**

*Presented by the Defense Security Cooperation Agency*

# What We Do

**DSCA supports U.S. national security and foreign policy by building the skills and capacity of our international partners to improve their own security. We also provide critical humanitarian assistance to our partners during times of crisis.**



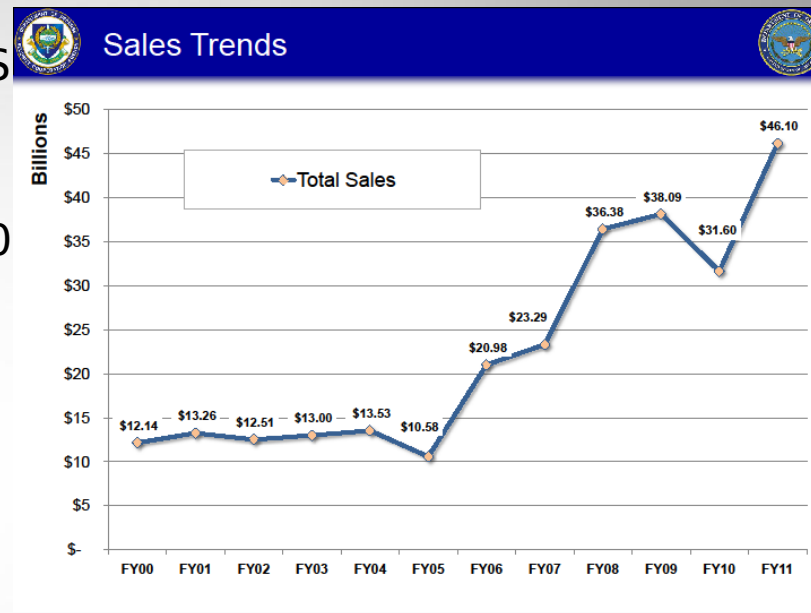
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# DSCA Snapshot

- \$31.6 billion in foreign and U.S. funds through the Foreign Military Sales (FMS) system for FY 2010
- \$46-\$75 billion projected FMS for FY 20
- 13,000 active FMS cases, valued at about \$320 billion in 162 countries
- 500 humanitarian projects in about 93 countries
- 50,000 international students attending various military training facilities
- 10,000 international students attending classes at one of our five regional centers.
- Ongoing relationships with 208 countries and international organizations



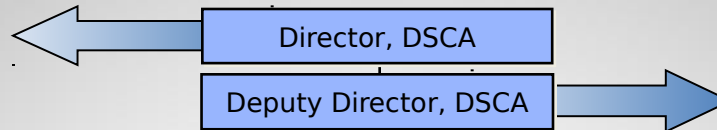
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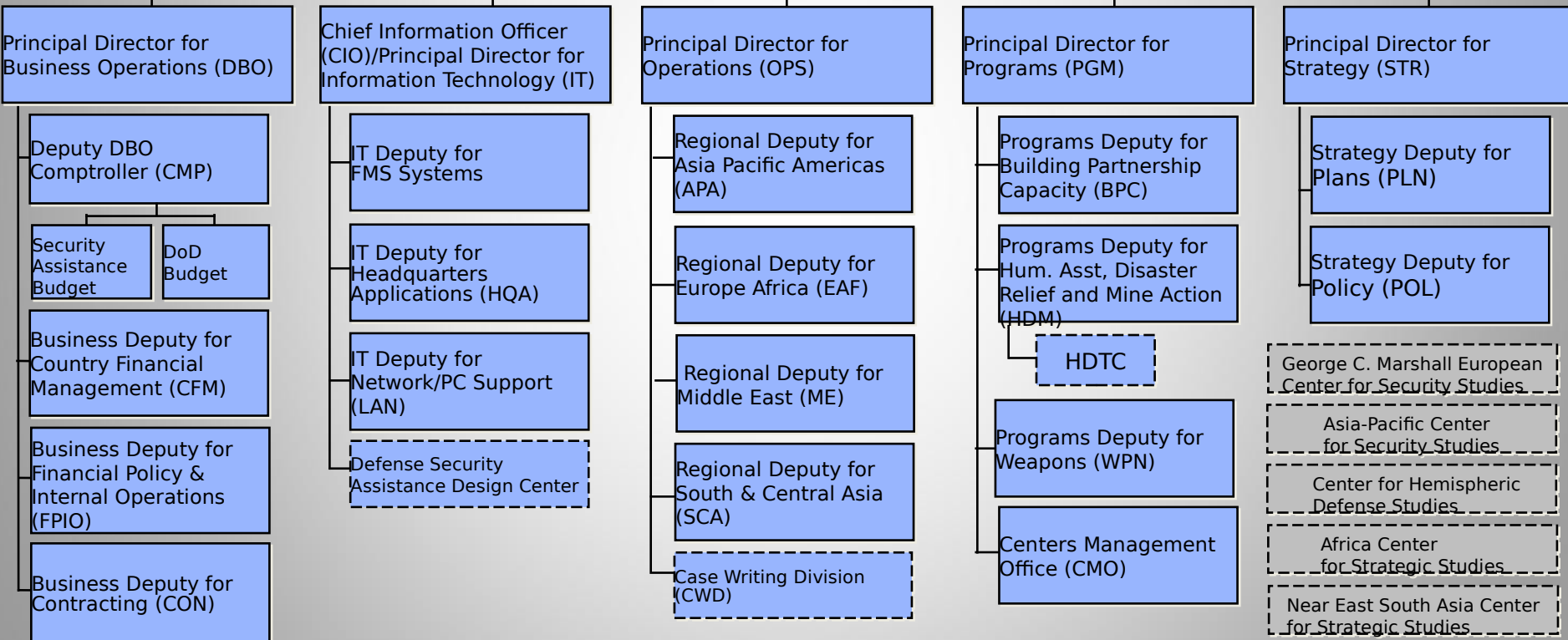
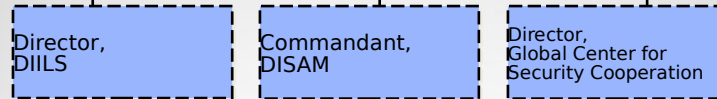
# DSCA Organization



VADM William E. Landay, III



Mr. Richard Genaille

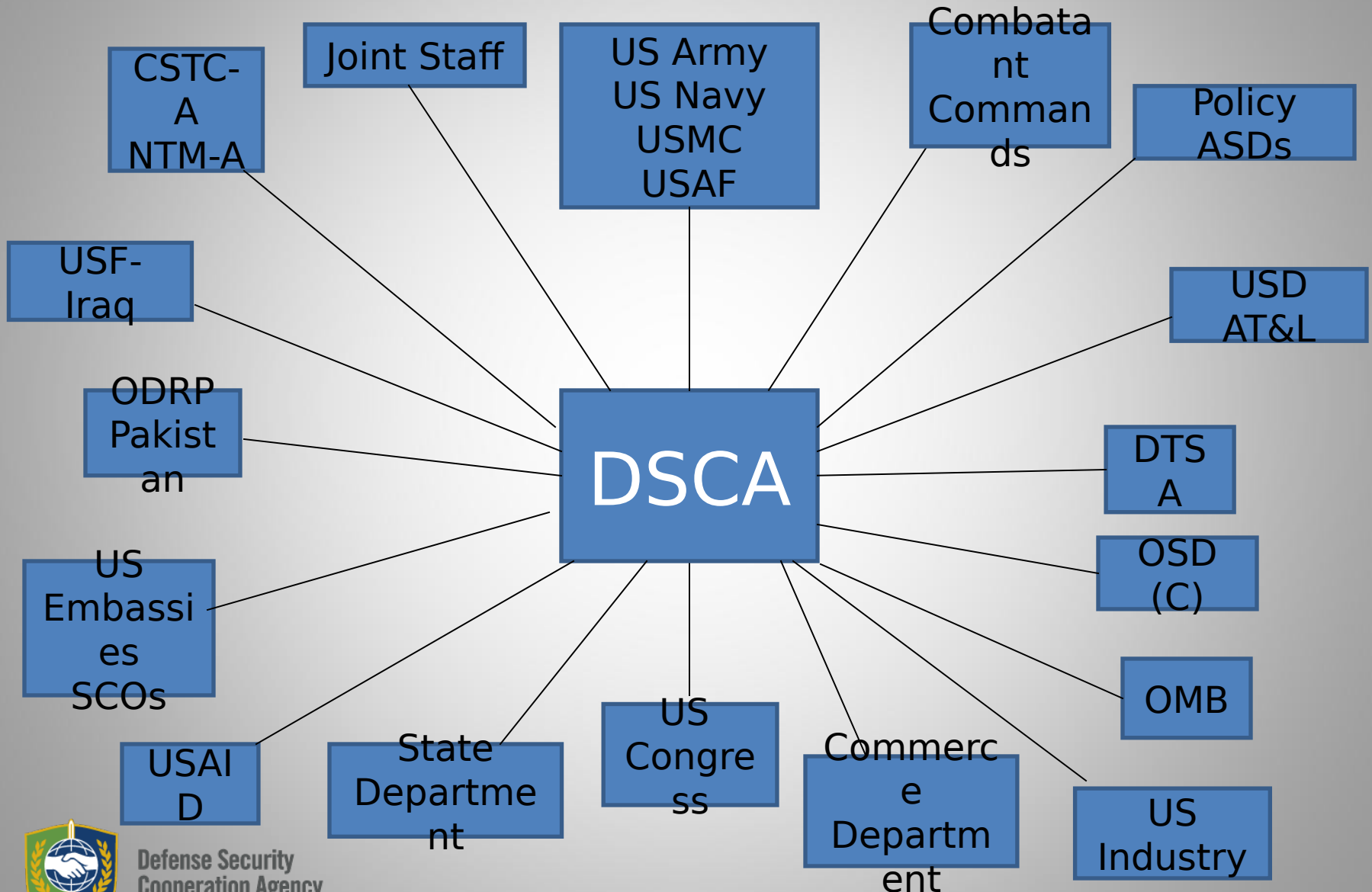


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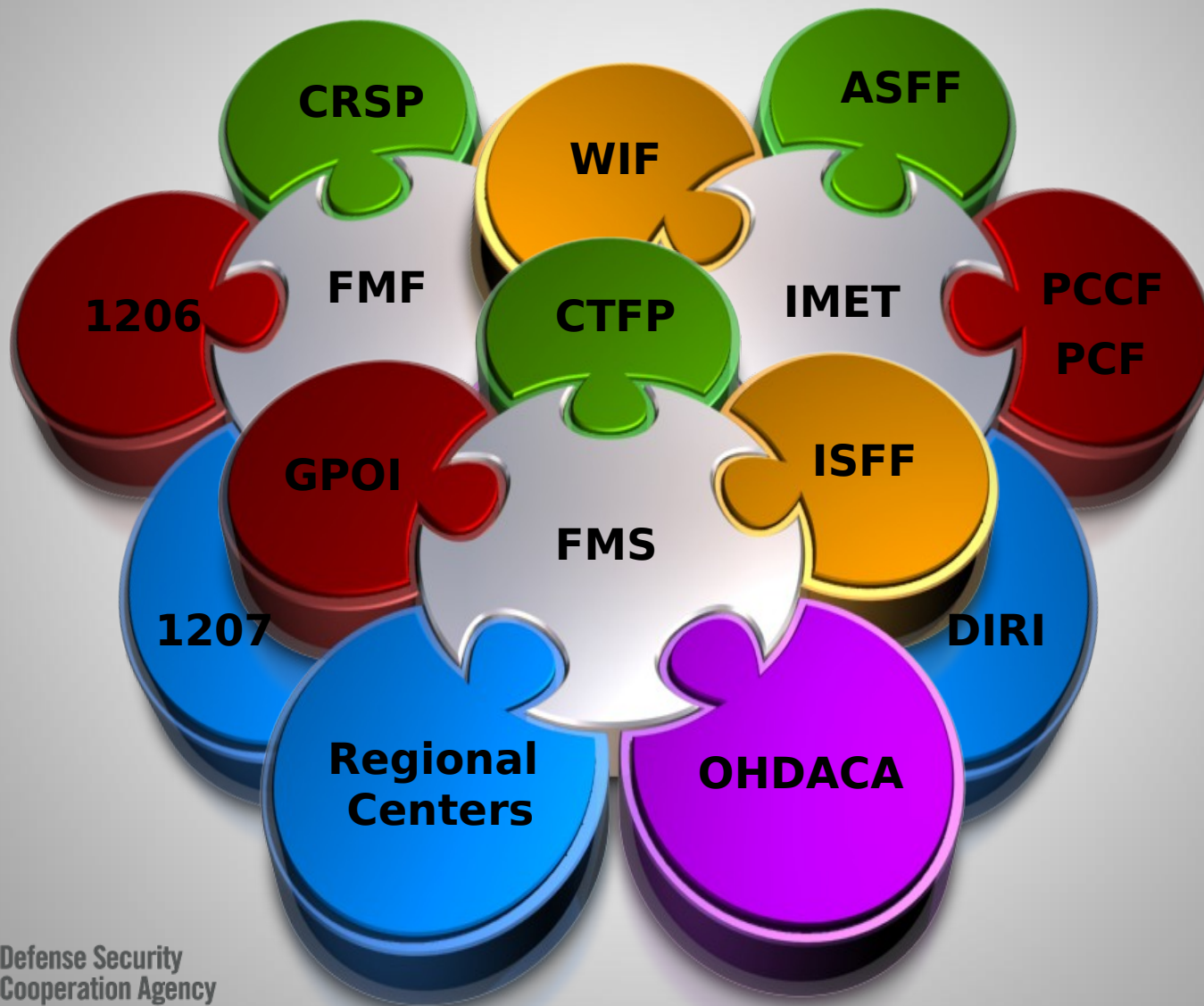
Dotted Border represents DSCA Satellite Location

# Security Cooperation Partners



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# DSCA Security Cooperation Tools



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# What is FMS?

- The Foreign Military Sales (FMS) program is a form of security assistance authorized by the *Arms Export Control Act* (AECA) and a fundamental tool of U.S. foreign policy.
- Under Section 3, of the AECA, the U.S. may sell defense articles and services to foreign countries and international organizations when the President formally finds that to do so will strengthen the security of the U.S. and promote world p



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# The Major Players

- **Congress**

- **Authorizes programs and appropriates funding**
- **Exercises oversight**

- **State Department**

- **Determines which countries can have programs**
- **Determines which sales, leases and transfers will be made**
- **Issues export licenses for commercial sales**
- **Determines foreign assistance funding levels**

- **Defense Department**

- **Has extensive input on security cooperation policy**
- **Determines what is available for sale or lease**
- **Recommends foreign assistance funding levels**
- **Implements FMS Program, FMF and other funding**
- **Implements International Military Education (IMET)**
- **Military Services and Combatant Commands execute the programs**



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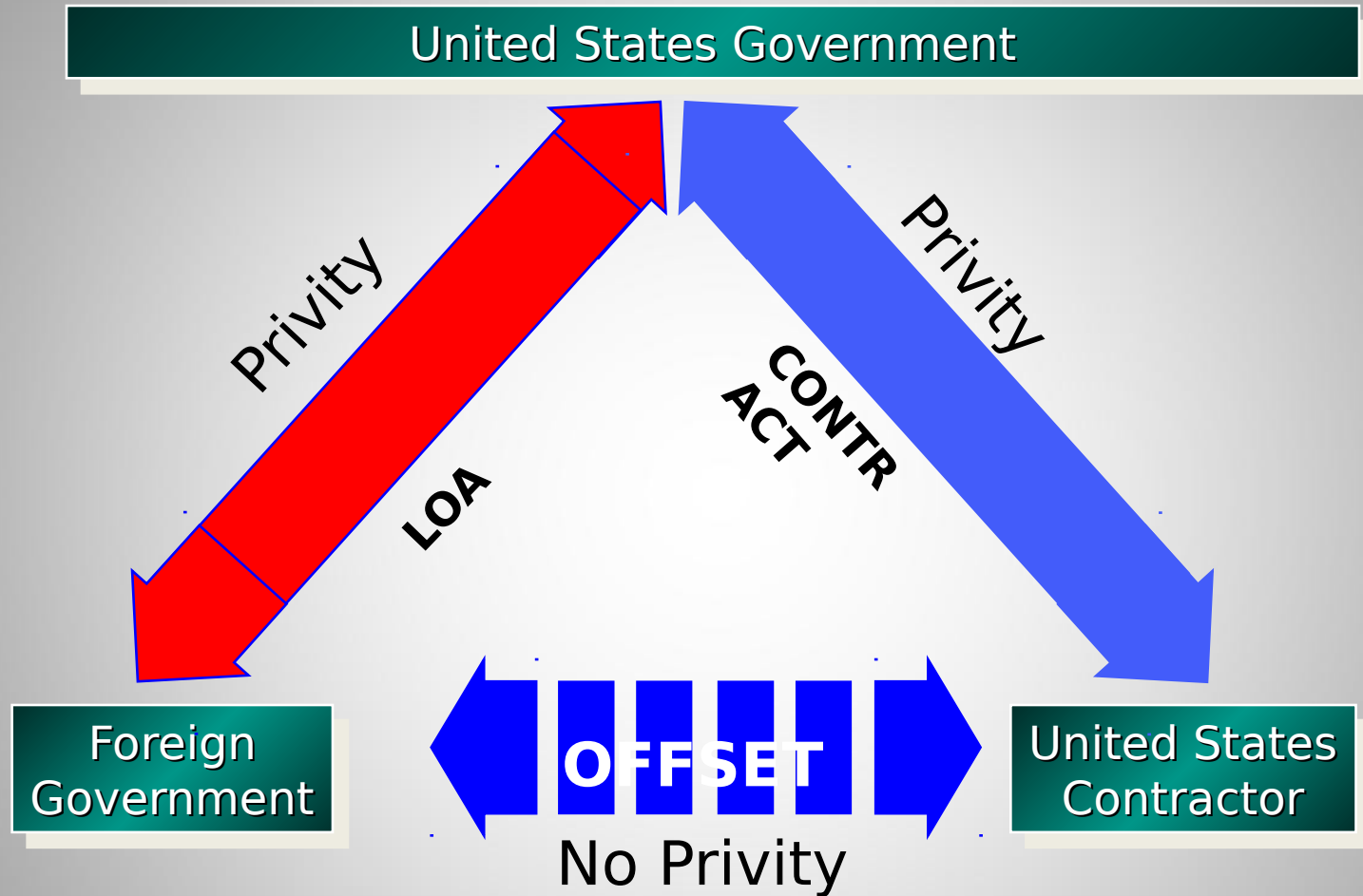
# Foreign Military Sales Buyer/Seller Relationships

FMS is the interface between the foreign purchaser and the U.S. DoD procurement system

DSCA  
Implementing  
Agencies



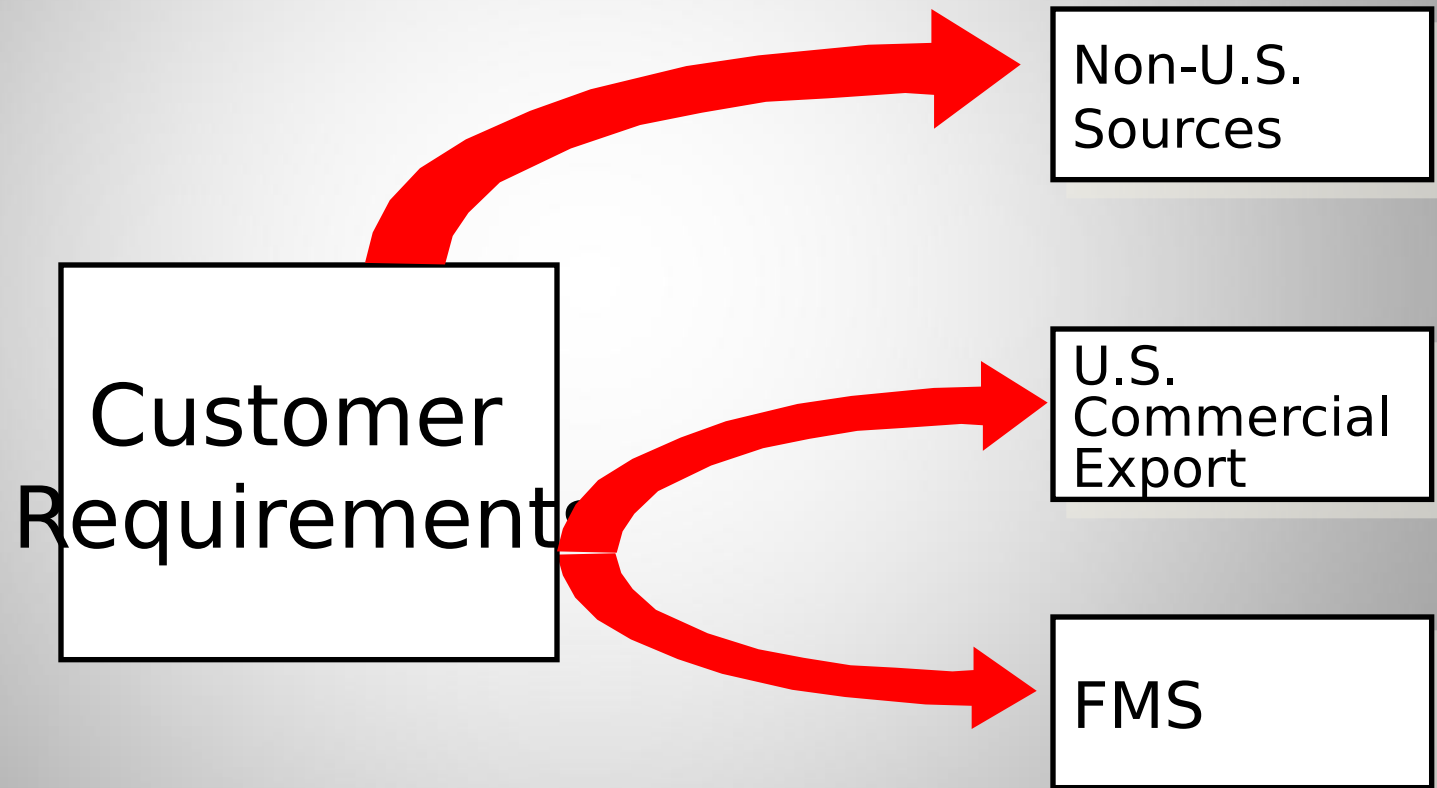
# Foreign Military Sales Buyer/Seller Relationships



# Customer Decisions - Planning

## Preliminary Planning (Indefinite)

- Customer determines requirements
- Customer obtains specific systems information



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# Definition of Requirements

**Definition (Indefinite)**

**• Customer and U.S. exchange technical information**

**• Internet, news media**

**• Trade publications**

**• Air/trade shows**

**• Visits, exercises, and observer missions**

**• Attendance at U.S. military schools**

**• U.S. site surveys and other assessments**

**• Military-to-Military/ Security Cooperation Organization**

**• U.S. Contractors**

**• Department of Defense**

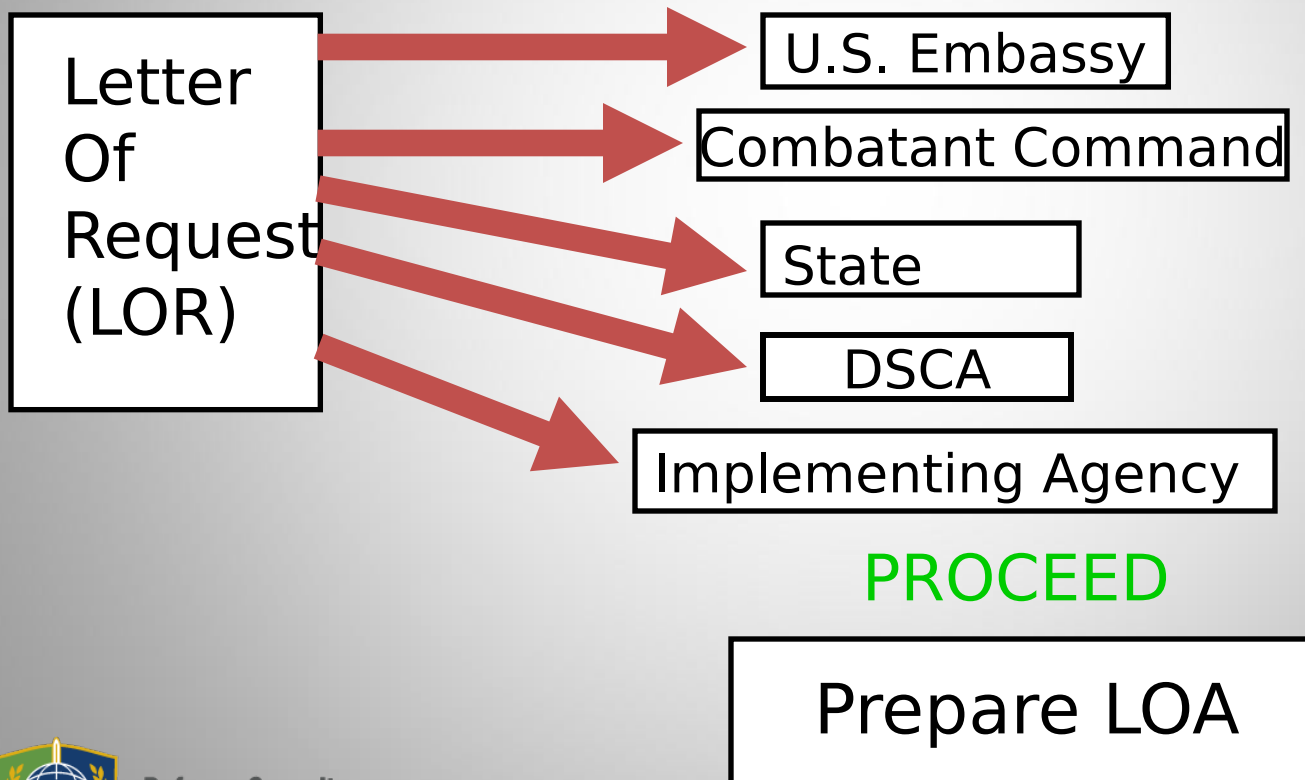


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# Channels of Request

<b>Request</b> (Indefinite)	<ul style="list-style-type: none"><li>• Customer prepares and submits a Letter of Request (LOR) for a Letter of Offer and Acceptance (LOA)</li><li>• No specific format required for LOR, but must be sufficiently complete to prepare LOA</li><li>• Customer prepares and submits LOR for an LOA normally to the Implementing Agency (e.g., Army, Navy, Air Force, DLA, etc.)</li></ul>
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# **The FMS Process - Total Package Approach (TPA)**

**Goal: To anticipate all of the requirements for the initial sale (system) and follow-on support. Includes:**

- Identification of requirements (item, quantity, delivery time)**
- Initial support requirements (test equipment, power units)**
- Operational concept (mission, number of bases, hours)**
- Training (English, maintenance, operations, supply)**
- Configuration management**
- Services (site survey, quality assurance, transportation)**
- Follow-on support (spares, repair, pubs, ammo)**

**Much of the work of the Security Cooperation community (DSCA and the Implementing Agencies) goes into FMS case development, execution, and closure.**

**Consider Technology Transfer / Releasability Issues Early!**



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# Implementing Agencies

**SAMM  
Chapter 2,  
paragraph  
C2.3.5. and  
Chapter 5,  
Table C5.T2.**

- Authorized to receive LORs
- Implementing Agencies prepare, process, and execute FMS cases
- All acquisition and logistics activities take place at the Implementing Agencies

## **Implementing Agencies:**

- **Army, Navy, Air Force, Defense Contract Management Agency, Defense Information Systems Agency, Defense Logistics Agency, Defense Threat Reduction Agency, National Geospatial-Intelligence Agency, National Security Agency, Missile Defense Agency, and DSCA**
- **Responsible for overall case management**



# Case Development

## Development of Offer

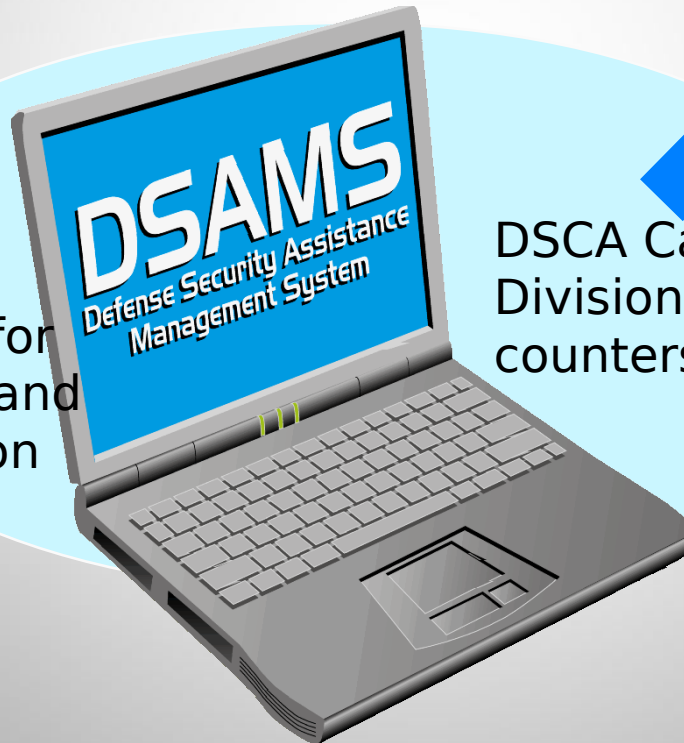
(Current metric for offering LOAs is 120 days from LOR Receipt ; if required ,Congressional review may take 40-60 days.)

- Implementing agency (IA) receives the LOR
- IA develops LOA data (LOAD)
- DSCA-CWD writes LOA
- DoS/DSCA/Congress review
- DSCA countersigns LOA
- IA issues LOA to customer

Implementing Agency  
LOA Data  
(LOAD)

**LOR**

DoD system used for  
LOA development and  
LOA implementation



DSCA Case Writing  
Division writes and  
countersigns LOA

DoS/DSCA/Congr  
ess  
review

**LOA**

IA sends the  
LOA to  
purchaser for  
acceptance



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# FMS Notification to Congress

## Development of Offer

- DoS/DSCA/Congress review Draft Congressional Notification

- **Foreign Military Sales reporting threshold**
  - \$50M total case value
  - \$14M Major Defense Equipment (MDE)
  - \$200M design and construction services
  - \$100M/\$25M/\$300M for NATO countries, Japan, Australia, South Korea, Israel and New Zealand
- **Congressional review period**
  - NATO, Japan, Australia, South Korea, New Zealand - 15 days
  - Other countries - 30 days (with 20 days informal advance notification)
- **Congress can adopt joint resolution objecting to the sale**



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# Acquisition (continued)

**SAMM  
Chapter 6,  
paragraph  
C6.3.**

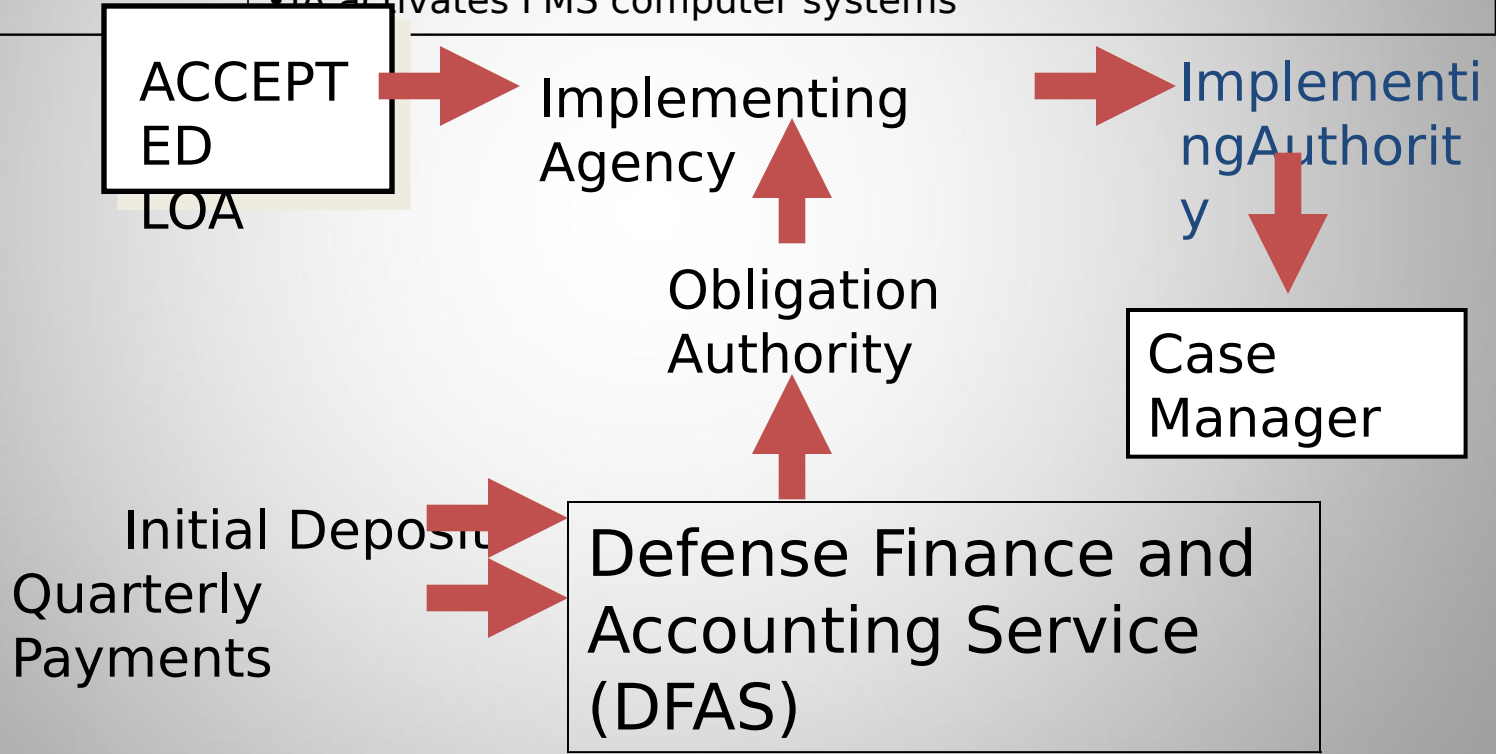
## **Sole Source Procurement**

- **Competitive procurement process is used to the maximum extent possible when procuring articles or services**
- **Sole source procurement can be considered when the FMS purchaser requests it in writing per DFARS 225.7304**
- **The Implementing Agency approves valid sole source requests**
- **If the Implementing Agency recommends disapproval, the memo informing the FMS purchaser of the disapproval must be coordinated**



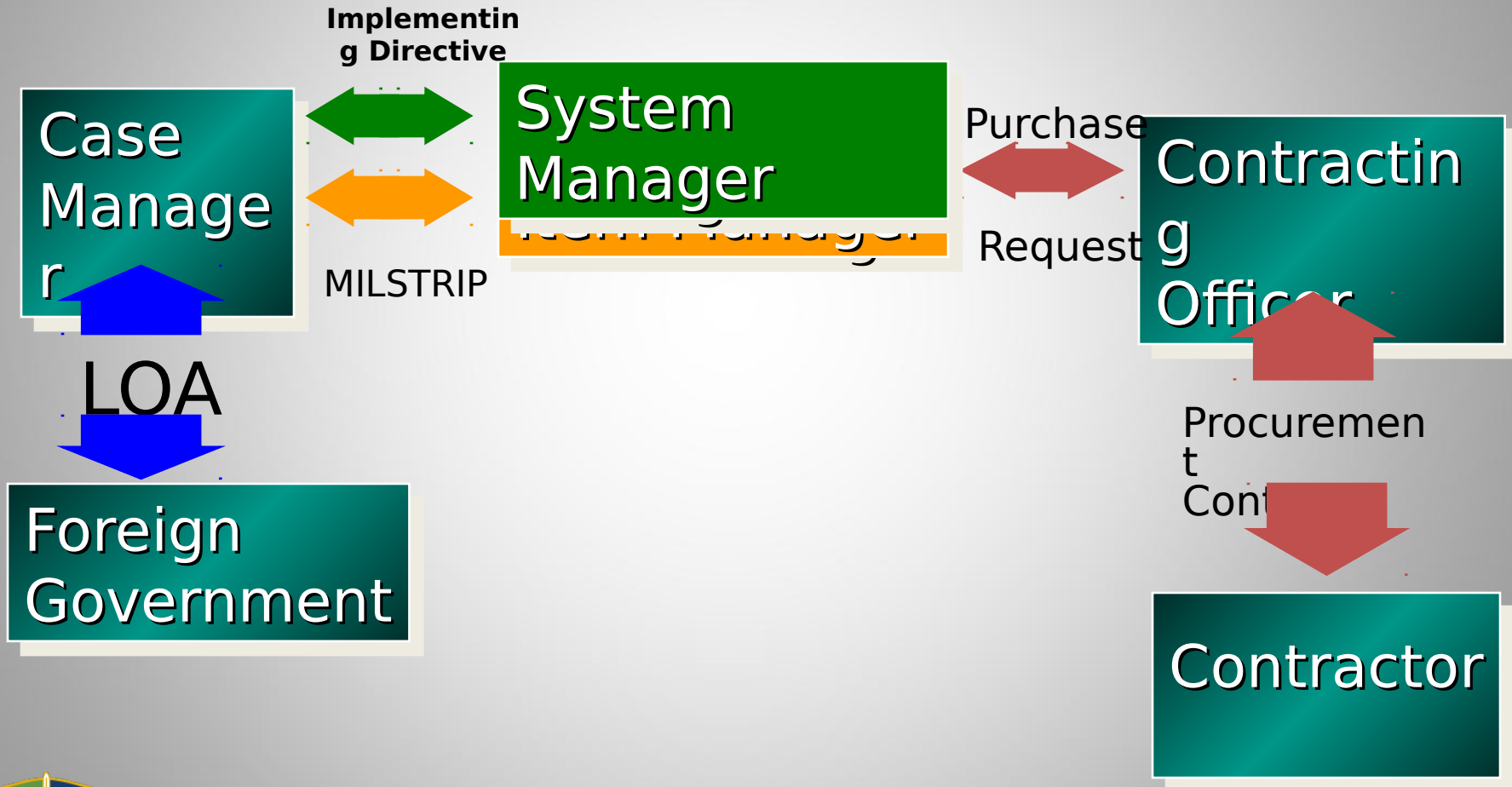
# Acceptance and Implementation

<b>Acceptance of the LOA</b>	<ul style="list-style-type: none"> <li>• Customer signs LOA (Policy is 60 days to accept a LOA)</li> <li>• Customer sends signed copy of LOA and initial deposit to Defense Finance Accounting Service-Indianapolis Center (DFAS-IN)</li> </ul>
<b>Implementation</b>	<ul style="list-style-type: none"> <li>• DFAS-IN issues obligational authority (OA) (15 days average)</li> <li>• IA issues implementing authority</li> <li>• IA activates FMS computer systems</li> </ul>



# Execution

<b>Execution</b>	<ul style="list-style-type: none"> <li>• Case and line managers order articles/services/training (Depends on delivery schedule)</li> <li>• Articles and services shipped and training conducted</li> <li>• IA reports performance to customer and DFAS-IN</li> </ul>
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# Acquisition

**SAMM Chapter 6, paragraph C6.3.**

- Acquisition for FMS purchasers shall be in accordance with U.S. and/or DoD regulations and procedures
- FMS requirements may be consolidated with USG requirements or placed on separate contract – whichever is more expedient and cost-effective
- Federal Acquisition Regulation provisions applicable to DoD also apply to FMS

Topic	FAR	DFARS
Acquisitions for FMS	---	Subpart 225.73
Contingent Fees (Agent Fees & Commissions)	Subpart 3.4	225.7303-4
Options FMS	---	Subparts 217.2 and 225.7306
Costs of Doing Business with a Foreign Government	---	225.7303-2
Selling Costs/Expenses	31.205-38	225.7303-2(a)(1)
Other Than Full and Open Competition - International Agreement	6.302-4	206.302-4
Contract Type Risk – FMS	---	215.404.71-3(d)(1)(vii)
FMS Customer Involvement	---	225.7304
Source Selection	---	225.7304
Limitation of Liability	---	225.7305
Offset Arrangements	---	225.7307
Contract Clauses	---	225.7308
Applicability of Acquisition Warranty	---	225.7304
Pricing Acquisitions for FMS	---	225.7303



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# Acquisition (continued)

**SAMM  
Chapter 6,  
paragraph  
C6.3.**

## **Customer Participation**

- **DFARS 225.7304 allows FMS purchasers to participate in specifications development, delivery schedule development, warranty identification, and other contractual requirements unique to the purchaser**
- **The DFARS encourages FMS purchaser participation in both the acquisition process and discussions with industry**
- **FMS purchasers are allowed to participate in contract negotiation within the limitations of the DFARS to the degree authorized by the contracting officer (CO)**



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**The DFARS requires the CO to provide the FMS purchaser an explanation if, and how, his/her**

## Acquisition (continued)


# Public websites containing info on “Doing Business with DoD”

- Contains detailed guidance:
- Getting started with DoD
- Marketing a business to DoD
- DoD contracting opportunities

## Handy Links to Acquisition Resources

[http://www.defense.gov/landing/contract\\_resources.aspx](http://www.defense.gov/landing/contract_resources.aspx)

[http://www.acq.osd.mil/dpap/cpic/cp/doing\\_business\\_with\\_the\\_department\\_of\\_defense\\_dod\\_us.html](http://www.acq.osd.mil/dpap/cpic/cp/doing_business_with_the_department_of_defense_dod_us.html)


 OFFICE OF THE UNDER SECRETARY OF DEFENSE  
3030 DEFENSE FORTIFICATION  
WASHINGTON, DC 20301-3000

ACROSSING MACHINERY  
AND LOGISTICS

**GUIDE TO DOB CONTRACTING OPPORTUNITIES**  
*A Day by Day Listing in the DND Marketplace*

1. Identify your product or service.  
If you produce or provide a service by the Procurement Classification Code (that is, the Federal Supply Code or Federal Service Code – see [www.fsc.gov](http://www.fsc.gov)) or by the National Industry System (NAICS) Code (see <http://www.dhs.gov/naics> or <http://www.usa.gov/naics>).
2. Obtain a DAB Data Universal Numbering System (D-U-N-S®) Number and register in the Contractor Registration Code (CAGE) Code.  
If you do not have a DUNS Number, contact Dun and Bradstreet to obtain one at <http://www.dun.com>. After obtaining a DUNS Number, you should register in the CCR System (<http://www.dhs.gov/ccr>). The CCR System is a database designed to hold information relevant to procurement and financial transactions. The CCR System is not just for the opportunity for that department to use, but also for the use of a DUNS Number and being registered in the CCR System are prerequisites for any contract award. Effective January 1, 2005, Federal agencies are required to use the CCR System in a 12 standardized perspective contract to complete electronic annual representations and certifications via Defense Representations and Certifications Applications (ORCA) at <http://www.dhs.gov/orca> in conjunction with required registration in the CCR System database.
3. Vendors must obtain a Contractor and Government Entity (CAGE) Code or NATO Contractor and Government Entity (NCAGE) Code.  
The CAGE Code (the U.S. vendors') and NCAGE Code (for foreign vendors) is a required piece of data for registering in the CCR System. If you are a vendor located in the U.S. and do not have a CAGE Code, a CAGE Code will be assigned to you by the CCR System for the first time. A foreign vendor must contact its country representative to receive its NCAGE Code assignment. The CAGE Code can be found at <http://www.dhs.gov/cage> or <http://www.dhs.gov/naics>. The NCAGE Code request form is at [http://www.dhs.gov/cage/naics\\_request\\_form.pdf](http://www.dhs.gov/cage/naics_request_form.pdf).
4. If you are a small business, explore programs with the Small Business Administration (SBA).  
The SBA offers assistance and certification in preference program to small business concerns. We encourage you to explore the Small Business Administration (SBA) small business set-aside business, HUBZone, or service-disabled veterans-owned small business certification while making a contract award. For more information, visit the SBA website for information about other SBA resources, such as the Small Business Development Centers, Service Corps of Retired Executives, Women's Business Development Centers, and Veterans Business Development.

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[Home](#)
[About Us](#)
[Our Staff](#)
[Our Staff Business](#)
[Our Staff](#)
[Small Business Office](#)

## Welcome! We're the D&D Office of Small Business Programs

At OSBP, we are committed to helping small businesses grow and prosper. We are committed to providing the highest quality of service to our customers. We are committed to providing the highest quality of service to our customers. We are committed to providing the highest quality of service to our customers.

Our commitment to service is reflected in our staff. Our staff is committed to providing the highest quality of service to our customers. Our staff is committed to providing the highest quality of service to our customers. Our staff is committed to providing the highest quality of service to our customers.

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### Small Business Programs

Our Small Business Programs are designed to help you grow your business. We offer a variety of services to help you succeed. We offer a variety of services to help you succeed. We offer a variety of services to help you succeed.



### Licensing, Regulation, Policy

Our Licensing, Regulation, Policy services are designed to help you understand the rules and regulations that govern your business. We offer a variety of services to help you succeed. We offer a variety of services to help you succeed. We offer a variety of services to help you succeed.



### Business

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# Closure

<b>Reconciliation and Closure</b>	<ul style="list-style-type: none"><li>• MILDEP/DFAS-IN and customer reconcile records (Policy is 2 years from last delivery)</li><li>• MILDEP sends closure certificate to DFAS-IN</li><li>• DFAS-IN issue final bill to customer</li></ul>
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## *Definition of a “Closed Case”*

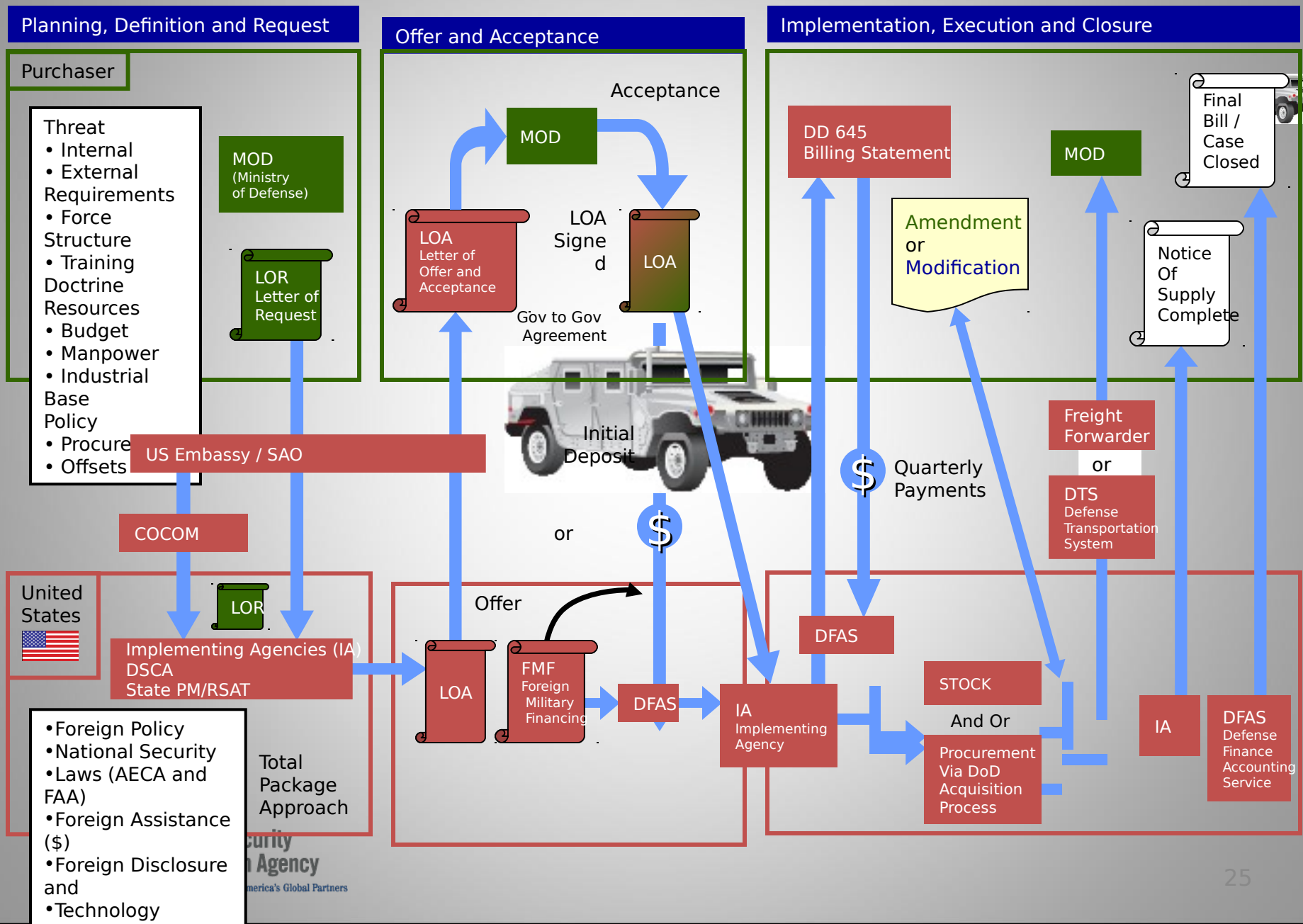
- All material ordered and delivered (policy is two years from last delivery)
- All services complete
- All discrepancy reports submitted
- All warranties expired
- MILDEP/DFAS-IN and customer have reconciled records
- MILDEP has sent closure certificate to DFAS-IN



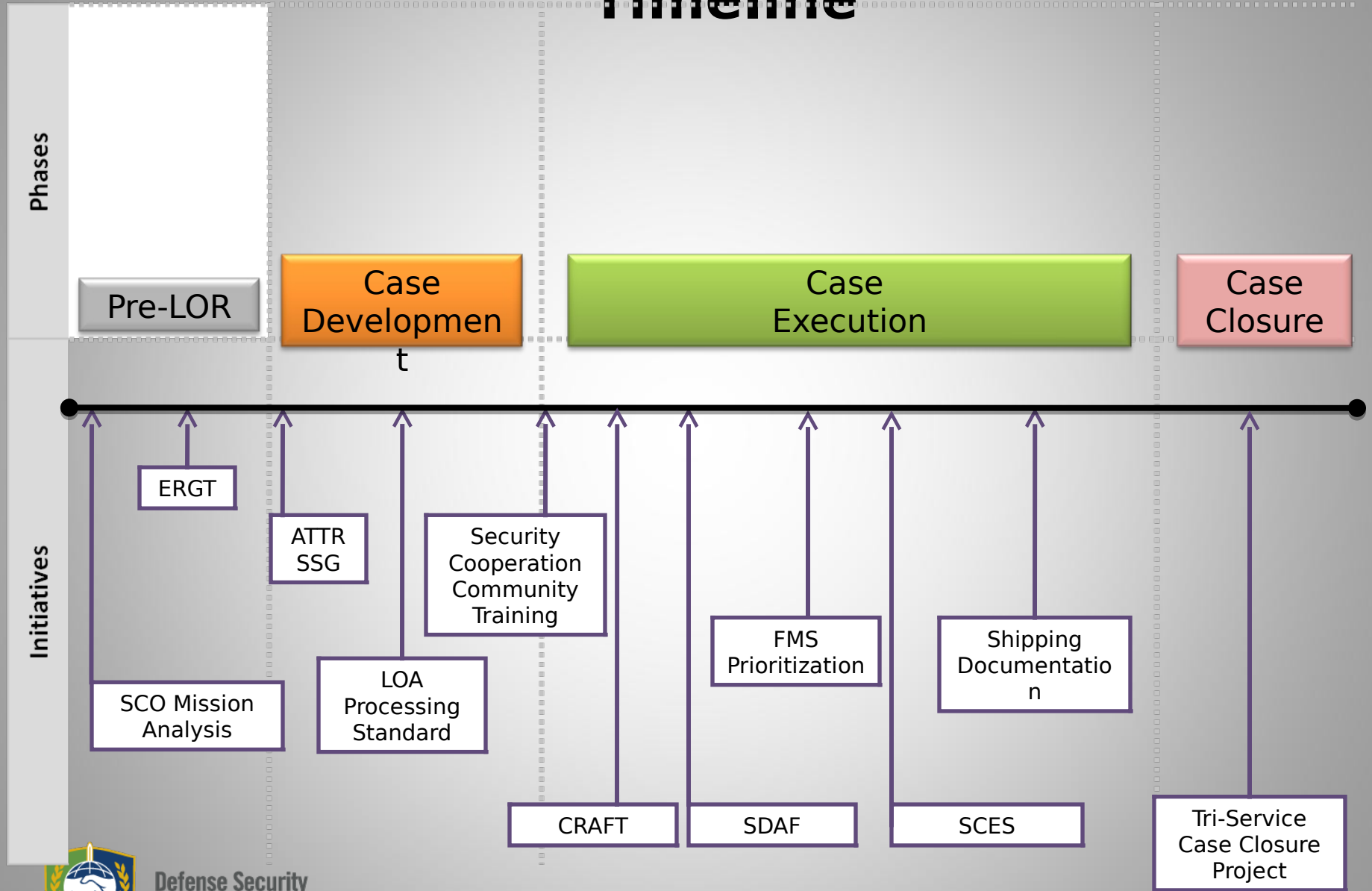
DFAS-IN has issued final statement of account to customer



# U.S. Foreign Military Sales Process



# Managing Performance Across The Entire Timeline



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# FMS Resources

## Defense Security Cooperation Agency

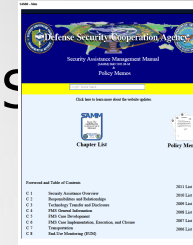
[www.dsca.mil](http://www.dsca.mil)



## FMS Policy

### Security Assistance Management Manual (SAMM)

[www.dsca.mil/SAMM/](http://www.dsca.mil/SAMM/)



## Security Assistance Training

### Defense Institute of Security Assistance (DISAM)

[www.disam.mil](http://www.disam.mil)

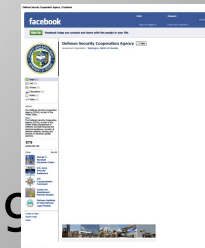
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